

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	VILLAGE OF CARLETON	County	MONROE	Type	VILLAGE	MuniCode	583010
Opinion Date-Use Calendar	06/04/08	Audit Submitted-Use Calendar	07/01/08	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue: General Fund Expenditure: Major Fund Deficit Amount: General Fund Balance: Governmental Activities
Long-Term Debt (see
instructions):

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	DEBORAH A.	Last Name	SABO	Ten Digit License Number				1101025211	
CPA Street Address	ONE SOUTH MONROE ST.	City	MONROE	State	MI	Zip Code	48161	Telephone	241-7200
CPA Firm Name	COOLEY HEHL WOHLGAMT	Unit's Street Address	1230 MONROE STR.	City	CARLETON	LU Zip	48117		

VILLAGE OF CARLETON
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

February 29, 2008

VILLAGE OF CARLETON

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Independent Auditor's Report

President and Village Council
Village of Carleton
Carleton, Michigan 48117

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carleton, Monroe County, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Carleton, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carleton, Monroe County, Michigan as of February 29, 2008, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 37 through 43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council
Village of Carleton

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carleton, Monroe County, Michigan's basic financial statements. The comparative and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Aehl Wollgamuth & Carlton

June 4, 2008

VILLAGE OF CARLETON

Management's Discussion and Analysis Year Ended February 29, 2008

This section of the Village of Carleton's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 29, 2008. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, Internal Service Fund, and Enterprise Fund.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Carleton financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's most significant funds - the General Fund, the Major Street Special Revenue Fund, the Local Street Special Revenue Fund, the Municipal Street Special Revenue Fund, the Ash - Carleton Park Special Revenue Fund, Equipment Fund, and the Sewage Disposal Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

VILLAGE OF CARLETON

Management's Discussion and Analysis *Year Ended February 29, 2008*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental and business-type activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, recreation and cultural, and sewage disposal services. Property taxes, state grants, and capital contributions finance most of these activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 13-22) provide detailed information about the most significant or "major" funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as described below:

Governmental funds - Many of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 16.

Proprietary fund - A Proprietary Fund is used to account for business-type activities of the Village which consists of the Sewage Disposal Fund. This fund accounts for the services provided by the Village where the Village charges customers for the services it provides. This fund uses accrual accounting; the same method used by private sector business. An internal service fund is used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental activity. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

VILLAGE OF CARLETON

Management's Discussion and Analysis Year Ended February 29, 2008

Fund Financial Statements - Concluded

Fiduciary funds - An Agency Fund is used to account for the Village's payroll and related payroll taxes and for assets held by the Village as an agent for the collection and disbursement of property taxes.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of February 29, 2008:

Table 1:

Condensed Statement of Net Assets February 29, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$1,859,395	\$1,815,434	\$1,498,509	\$1,460,843	\$3,357,904	\$3,276,277
Capital assets	322,006	318,027	8,488,348	8,673,660	8,810,354	8,991,687
Total Assets	2,181,401	2,133,461	9,986,857	10,134,503	12,168,258	12,267,964
Current and other liabilities	23,703	72,503	303,302	294,609	327,005	367,112
Long-term liabilities	36,784	39,483	3,830,000	4,075,000	3,866,784	4,114,483
Total Liabilities	60,487	111,986	4,133,302	4,369,609	4,193,789	4,481,595
Net Assets						
Invested in capital						
assets, net of related debt	322,006	318,027	4,413,348	4,358,660	4,735,354	4,676,687
Restricted for:						
Drug enforcement	2,081	2,140	0	0	2,081	2,140
Streets and highways	955,067	894,069	0	0	955,067	894,069
Park	14,063	3,101	0	0	14,063	3,101
Unrestricted	827,697	804,138	1,440,207	1,406,234	2,267,904	2,210,372
Total Net Assets	\$2,120,914	\$2,021,475	\$5,853,555	\$5,764,894	\$7,974,469	\$7,786,369

As depicted in Table 1, the Village's net assets were \$8.0 million at February 29, 2008. Of this amount, a positive \$2.3 million was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund and the Sewage Disposal Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended February 29, 2008.

VILLAGE OF CARLETON

Management's Discussion and Analysis Year Ended February 29, 2008

Government-Wide Financial Analysis - Concluded

Table 2:

Changes in Net Assets Year Ended February 29, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$103,129	\$142,595	\$458,681	\$468,270	\$561,810	\$610,865
Operating grants and contributions	144,695	144,309	0	0	144,695	144,309
Capital grants and contributions	6,761	0	0	0	6,761	0
	<u>254,585</u>	<u>286,904</u>	<u>458,681</u>	<u>468,270</u>	<u>713,266</u>	<u>755,174</u>
General revenues						
Property taxes	437,565	397,184	0	0	437,565	397,184
State grants	235,756	276,146	0	0	235,756	276,146
Other general revenues	144,786	156,712	214,616	284,881	359,402	441,593
	<u>818,107</u>	<u>830,042</u>	<u>214,616</u>	<u>284,881</u>	<u>1,032,723</u>	<u>1,114,923</u>
Total Revenues	1,072,692	1,116,946	673,297	753,151	1,745,989	1,870,097
Functions/Program Expenses						
Legislative	7,804	7,045	0	0	7,804	7,045
General government	207,688	198,837	0	0	207,688	198,837
Public safety	382,733	377,897	0	0	382,733	377,897
Public works	323,073	265,487	0	0	323,073	265,487
Recreation and cultural	51,955	44,015	0	0	51,955	44,015
Sewer	0	0	584,636	598,629	584,636	598,629
Total Expenses	<u>973,253</u>	<u>893,281</u>	<u>584,636</u>	<u>598,629</u>	<u>1,557,889</u>	<u>1,491,910</u>
Increase (Decrease) in Net Assets	<u>\$99,439</u>	<u>\$223,665</u>	<u>\$88,661</u>	<u>\$154,522</u>	<u>\$188,100</u>	<u>\$378,187</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$973,253. Of this amount, \$254,585 was subsidized with revenue generated from charges for services, grants and other contributions with the remaining costs financed with general revenues.

As indicated in Table 2, the cost of *all business-type* activities this year was \$584,636. The sewer system is financed by charges to the Village customers.

The Village experienced an increase in net assets of \$188,100. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances for the governmental activities to the change in net assets appears on page 16.

VILLAGE OF CARLETON

Management's Discussion and Analysis *Year Ended February 29, 2008*

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Carleton is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$1,693,391, which is an increase of \$74,067 from last year. The changes in the General Fund and Special Revenue Funds are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Fund balances - Beginning of year	\$722,154	\$897,170	\$1,619,324
Increase (decrease)	<u>2,107</u>	<u>71,960</u>	<u>74,067</u>
Fund balances -- End of year	<u>\$724,261</u>	<u>\$969,130</u>	<u>\$1,693,391</u>

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

Revenues	<u>February 29, 2008</u>	<u>February 28, 2007</u>	<u>Percent Change</u>
Property taxes	\$437,565	\$397,184	10.17 %
Licenses and permits	53,605	78,192	(31.44)%
State grants	237,744	247,410	(3.90)%
Charges for services	2,364	2,376	(0.50)%
Interest	29,128	26,002	12.02 %
Other	<u>51,327</u>	<u>87,028</u>	(41.02)%
Total Revenues	<u>\$811,733</u>	<u>\$838,192</u>	(3.16)%

The Village's revenues decreased from \$838,192 in 2007 to \$811,733 in 2008 due to the decrease in licenses and permits, state grants, and other revenue, which is the result of a decrease in building permits and licenses, state shared revenue, and the sale of capital assets. Also, there was a significant increase in interest revenue due to an increase in interest rates.

VILLAGE OF CARLETON

Management's Discussion and Analysis Year Ended February 29, 2008

Fund Financial Analysis – Concluded

Expenditures	February 29, 2008	February 28, 2007	Percent Change
Legislative	\$ 6,594	\$ 6,070	8.63 %
General government	135,156	122,788	10.07 %
Public safety	271,111	257,646	5.23 %
Public works	134,836	144,230	(6.51)%
Recreation and cultural	576	1,261	(54.32)%
Other	236,353	205,021	15.28 %
Operating transfers out	<u>25,000</u>	<u>15,000</u>	66.67 %
Total Expenditures	<u>\$809,626</u>	<u>\$752,016</u>	7.66 %

The Village's expenditures increased from \$752,016 in 2007 to \$809,626 in 2008 because of an increase of expenditures in all functions of government except for public works, and recreation and cultural, which is illustrated in the table above. The most notable increases were for village hall and grounds, police department, hospitalization insurance, and workers compensation insurance. The expenditures for village hall and grounds increased by \$14,586 (63.33%) due to repairs and maintenance; the police department increased by \$28,306 (13.21%) due to additional police officers; and hospitalization insurance increased by \$14,554 (15.59%).

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Board to adopt the original budget for the upcoming fiscal year prior to March 1, the start of the fiscal year. Over the course of the year, the Village revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

Revenues - The original budget of \$732,300 was increased by \$67,215 to \$799,515 during the year to amend tax revenue.

Expenditures - The original budget of \$779,230 was amended to \$884,445, an increase of \$105,215, during the year. The amendments were to adjust for attorney fees, village hall and grounds, building inspector, sanitation, hospitalization insurance, and other expense.

VILLAGE OF CARLETON

Management's Discussion and Analysis Year Ended February 29, 2008

Capital Asset and Debt Administration

Capital Assets

At February 29, 2008, the Village had \$11,482,680 invested in a broad range of capital assets, including land, building and improvements, roads, machinery and equipment, vehicles, playscape, and the wastewater treatment. The additions of \$45,690 were for roof improvements to the village hall and the concession stand roof, a new police vehicle, a server for the village hall, and a new lawn mower. No new debt was issued for these additions. Depreciation for this year totaled \$227,023. Details regarding capital assets are included in Note 6 to the financial statements.

Debt

At February 29, 2008, the Village's debt is \$4,111,784. Sewage Disposal System No. 3 bond debt is \$4,075,000. The bonds are paid with charges for services. Compensated absences (sick and vacation) payable is \$36,784. Details regarding debt are included in Note 8 to the financial statements.

Development of the 2009 Fiscal Year Budget

Our elected officials consider many factors when setting the Village's 2009 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget. The budget for property taxes was decreased by approximately 1% over the prior year's budget. Also, the budget for state shared revenue decreased by \$15,000 from the prior year's budget. The Village has budgeted expenditures at \$822,756. The prior year's amended expenditures were \$836,245. This is a decrease of \$13,489 (1.63%). Decreases are in the areas of general government, public safety, and public works.

Contacting Village of Carleton's Business Office

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Carleton Clerk, 1230 Monroe, P.O. Box 376, Carleton, MI 48117.

VILLAGE OF CARLETON

Statement of Net Assets February 29, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$1,622,685	\$1,079,726	\$2,702,411
Accounts receivable	103,305	44,577	147,882
Assessment receivable	0	19,688	19,688
Due from other governmental units	75,295	61,855	137,150
Internal balances	4,455	(4,455)	0
Advances to other funds	18,500	0	18,500
Prepaid expenses	35,155	0	35,155
Restricted assets:			
Cash with fiscal agent	0	297,118	297,118
Depreciable capital assets, net	322,006	8,488,348	8,810,354
Total Assets	2,181,401	9,986,857	12,168,258
Liabilities			
Accounts payable	19,867	0	19,867
Due to other governments	3,117	15,699	18,816
Payables from restricted assets:			
Contracts payable - current portion	0	245,000	245,000
Accrued interest	0	42,448	42,448
Other liabilities	719	155	874
Long-term liabilities:			
Due in more than one year	36,784	3,830,000	3,866,784
Total Liabilities	60,487	4,133,302	4,193,789
Net Assets			
Invested in capital assets, net of related debt	322,006	4,413,348	4,735,354
Restricted:			
Drug enforcement	2,081	0	2,081
Streets and highways	955,067	0	955,067
Park	14,063	0	14,063
Unrestricted	827,697	1,440,207	2,267,904
Total Net Assets	\$2,120,914	\$5,853,555	\$7,974,469

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Statement of Activities
Year Ended February 29, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Legislative	\$7,804	\$0	\$0	\$0
General government	207,688	55,969	0	0
Public safety	382,733	10,900	1,988	0
Public works	323,073	36,260	127,707	0
Recreation and cultural	51,955	0	15,000	6,761
Total Governmental Activities	973,253	103,129	144,695	6,761
Business-type activities:				
Sewage disposal	584,636	458,681	0	0
Total primary government	<u>\$1,557,889</u>	<u>\$561,810</u>	<u>\$144,695</u>	<u>\$6,761</u>
General Revenues:				
Property taxes				
State grants				
Debt service and connection charges				
Interest and investment earnings				
Sale of capital asset				
Other				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
(\$7,804)	\$0	(\$7,804)
(151,719)	0	(151,719)
(369,845)	0	(369,845)
(159,106)	0	(159,106)
(30,194)	0	(30,194)
(718,668)	0	(718,668)
0	(125,955)	(125,955)
(718,668)	(125,955)	(844,623)
437,565	0	437,565
235,756	0	235,756
0	160,784	160,784
73,942	53,832	127,774
1,002	0	1,002
69,842	0	69,842
818,107	214,616	1,032,723
99,439	88,661	188,100
2,021,475	5,764,894	7,786,369
\$2,120,914	\$5,853,555	\$7,974,469

VILLAGE OF CARLETON

Governmental Funds Balance Sheet February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Ash-Carleton Park Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$577,852	\$710,237	\$223,139	\$30,095	\$14,063	\$1,555,386
Accounts receivable	102,467	0	0	0	0	102,467
Due from other governmental units	75,295	0	0	0	0	75,295
Due from other funds	3,834	264	0	0	0	4,098
Prepaid expense	35,155	0	0	0	0	35,155
Advance to other funds	18,500	0	0	0	0	18,500
Total Assets	\$813,103	\$710,501	\$223,139	\$30,095	\$14,063	\$1,790,901
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$19,867	\$0	\$0	\$0	\$0	\$19,867
Due to other funds	66,618	4,126	3,063	0	0	73,807
Due to other governmental units	1,638	1,213	266	0	0	3,117
Other liabilities	719	0	0	0	0	719
Total Liabilities	88,842	5,339	3,329	0	0	97,510
Fund Balances						
Reserved for drug enforcement	2,081	0	0	0	0	2,081
Reserved for prepaid expenses	35,155	0	0	0	0	35,155
Reserved for advances	18,500	0	0	0	0	18,500
Unreserved:						
Designated for unemployment claim	2,000	0	0	0	0	2,000
Undesignated, reported in:						
General Fund	666,525	0	0	0	0	666,525
Special Revenues Funds	0	705,162	219,810	30,095	14,063	969,130
Total Fund Balances	724,261	705,162	219,810	30,095	14,063	1,693,391
Total Liabilities and Fund Balances	\$813,103	\$710,501	\$223,139	\$30,095	\$14,063	\$1,790,901

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Year Ended February 29, 2008*

Total Fund Balances - Governmental Funds		\$1,693,391
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	447,291	
Accumulated depreciation	<u>(137,514)</u>	
		309,777
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(36,784)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		<u>154,530</u>
Total Net Assets - Governmental Activities		<u>\$2,120,914</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Ash-Carleton Park Fund	Total Governmental Funds
Revenues						
Taxes	\$437,565	\$0	\$0	\$0	\$0	\$437,565
Licenses and permits	53,605	0	0	0	0	53,605
State grants	237,744	84,710	42,997	0	6,761	372,212
Local unit contributions	0	0	0	0	15,000	15,000
Charges for services	2,364	0	0	0	0	2,364
Fines and forfeits	10,900	0	0	0	0	10,900
Interest income	29,128	32,650	7,743	1,293	184	70,998
Other revenue	40,427	0	0	0	30,417	70,844
Total Revenues	811,733	117,360	50,740	1,293	52,362	1,033,488
Expenditures						
Current Operating:						
Legislative	6,594	0	0	0	0	6,594
General government	135,156	0	0	0	0	135,156
Public safety	271,111	0	0	0	0	271,111
Public works	134,836	82,740	35,655	0	0	253,231
Recreation and cultural	576	0	0	0	56,400	56,976
Other	236,353	0	0	0	0	236,353
Total Expenditures	784,626	82,740	35,655	0	56,400	959,421
Excess (Deficiency) of Revenues Over Expenditures	27,107	34,620	15,085	1,293	(4,038)	74,067
Other Financing Sources (Uses)						
Operating transfers in	0	5,000	5,000	0	15,000	25,000
Operating transfers out	(25,000)	0	0	0	0	(25,000)
Total Other Financing Sources (Uses)	(25,000)	5,000	5,000	0	15,000	0
Net Change in Fund Balances	2,107	39,620	20,085	1,293	10,962	74,067
Fund Balances - Beginning of year	722,154	665,542	199,725	28,802	3,101	1,619,324
Fund Balances - End of year	<u>\$724,261</u>	<u>\$705,162</u>	<u>\$219,810</u>	<u>\$30,095</u>	<u>\$14,063</u>	<u>\$1,693,391</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended February 29, 2008*

Total Net Change in Fund Balances - Governmental Funds		\$74,067
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	(19,986)	
Capital outlay	<u>45,690</u>	
		25,704
Decreases in the liability for compensated absences are reported as expenditures in the statement of activities; but not in the governmental funds		
		2,699
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.		
		<u>(3,031)</u>
Change in Net Assets of Governmental Activities		<u>\$99,439</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Proprietary Funds Statement of Net Assets February 29, 2008

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Funds Equipment Fund
Assets		
Current Assets:		
Cash and certificate of deposit	\$1,079,726	\$67,299
Accounts receivable - Sewage accounts	23,754	0
Accounts receivable	20,823	838
Assessment receivable	19,688	0
Due from other funds	0	74,164
Due from other governmental units	61,855	0
Total Current Assets	1,205,846	142,301
Restricted Assets:		
Cash with fiscal agent	297,118	0
Total Restricted Assets	297,118	0
Capital Assets		
Land	112,003	0
Sewer mains	810,214	0
Service connections	73,006	0
Oxidation ponds and equipment	1,284,210	0
Wastewater treatment plant	8,513,375	0
Machinery & Equipment	0	242,581
Less: Accumulated depreciation	10,792,808	242,581
Net Capital Assets	2,304,460	230,352
Net Capital Assets	8,488,348	12,229
Total Assets	9,991,312	154,530

See accompanying notes to the basic financial statements.

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Liabilities		
Current liabilities (payable from current assets):		
Due to other funds	\$4,455	\$0
Due to other governments	15,699	0
Other	155	0
Total Current Liabilities (payable from current assets)	20,309	0
Current liabilities (payable from restricted assets):		
Contracts payable - current portion	245,000	0
Accrued interest	42,448	0
Total Current Liabilities (payable from restricted assets)	287,448	0
Long-Term Liabilities:		
Contracts payable - non-current portion	3,830,000	0
Total Long-Term Liabilities	3,830,000	0
Total Liabilities	4,137,757	0
Net Assets		
Invested in capital assets, net of related debt	4,413,348	12,229
Unrestricted	1,440,207	142,301
Total Net Assets	\$5,853,555	\$154,530

VILLAGE OF CARLETON

Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets Year Ended February 29, 2008

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Operating Revenues		
Charges for services	\$458,681	\$0
Equipment rentals	0	36,260
Total Operating Revenues	458,681	36,260
Operating Expenses		
Depreciation	185,312	21,725
Sewer processing and maintenance	267,749	0
General office and administrative	28,798	2,400
Maintenance and operations	0	18,110
Total Operating Expenses	481,859	42,235
Net Operating Income (Loss)	(23,178)	(5,975)
Non-Operating Revenues (Expenses)		
Sewer tap fees - construction	50,250	0
Sewer tap fees - debt	110,534	0
Interest income	53,832	2,944
Interest expense	(102,375)	0
Paying agent fees	(402)	0
Total Non-Operating Revenues (Expenses)	111,839	2,944
Change in Net Assets	88,661	(3,031)
Net Assets - Beginning of year	5,764,894	157,561
Net Assets - End of year	<u>\$5,853,555</u>	<u>\$154,530</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Proprietary Funds Statement of Cash Flows Year Ended February 29, 2008

	Business-type Activities Enterprise Fund <u>Sewage Disposal Fund</u>	Governmental Activities Internal Service Fund <u>Equipment Fund</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$518,699	\$22,171
Payments to suppliers	(279,160)	(21,654)
Payments to Internal Service Fund and administration fees	(6,739)	(1,200)
	<u>232,800</u>	<u>(683)</u>
Cash Flows from Noncapital Financing Activities:		
Special assessments	0	0
Other expense	0	0
	<u>0</u>	<u>0</u>
Net cash provided (used) from noncapital financing activities	0	0
Cash Flows from Capital and Related Financing Activities:		
Principal payments on contracts payable	(240,000)	0
Interest paid	(104,875)	0
Paying agent fees	(402)	0
Debt service and connection charges	160,784	0
	<u>(184,493)</u>	<u>0</u>
Net cash provided (used) for capital and related financing activities	(184,493)	0
Cash Flows from Investing Activities:		
Interest income	53,832	2,944
	<u>53,832</u>	<u>2,944</u>
Net Increase (Decrease) in Cash and Cash Equivalents	102,139	2,261
Cash and Cash Equivalents - Beginning of Year	<u>1,274,705</u>	<u>65,038</u>
Cash and Cash Equivalents - End of Year	<u><u>\$1,376,844</u></u>	<u><u>\$67,299</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Proprietary Funds Statement of Cash Flows Year Ended February 29, 2008

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	(\$23,178)	(\$5,975)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	185,312	21,725
Changes in operating assets and liabilities		
(Increase) decrease accounts receivable	23,720	(21)
(Increase) decrease due from other funds	0	(14,068)
(Increase) decrease due from other governments	36,298	0
Increase (decrease) accounts payable	155	0
Increase (decrease) due to other funds	(2,565)	(2,344)
Increase (decrease) due to other governments	13,058	0
Net cash provided (used) by operating activities	<u>\$232,800</u>	<u>(\$683)</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Agency Funds Statement of Fiduciary Net Assets February 29, 2008

	Agency Payroll	Tax Collection	Totals
Assets			
Cash	\$24,641	\$861	\$25,502
Due from other governmental units	2,054	0	2,054
Total Assets	<u>\$26,695</u>	<u>\$861</u>	<u>\$27,556</u>
Liabilities			
Salaries and payroll taxes payable	\$6,142	\$0	\$6,142
Due to other governmental units	2,053	861	2,914
Advance from General Fund	18,500	0	18,500
Total Liabilities	<u>\$26,695</u>	<u>\$861</u>	<u>\$27,556</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Board form of government. The Village provides the following services: public safety (police), highways and streets, sanitation, recreation and cultural, public improvements, planning and zoning, general administrative services, and sewage disposal services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Carleton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, the proprietary fund, and agency funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and the individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 29, 2008

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and cash basis of accounting.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Municipal Street Fund accounts for interest earned on the money remaining in this fund.

The Park Fund is a special revenue fund that accounts for revenue from contributions and grant revenue from the State of Michigan. This fund accounts for the regular maintenance of the park and the recreational programs.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)
Fund Financial Statements (Concluded)

The Village reports the following major proprietary fund:

The Sewage Disposal Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and retirement of debt. Financing is provided by user charges.

Additionally, the Village reports the following Internal Service Fund type:

The Equipment Fund accounts for the financing and maintenance of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

In accordance with GASB Statement 20 the Village has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent August 31 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond February 29, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the appreciable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and buildings improvements	20-50 years
Machinery and equipment	5-10 years
Vehicles	5-8 years
Sewer lines	50-99 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 29, 2008

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - Village employees are granted vacation and sick leave. The vacation and sick leave is accrued in the government-wide financial statements. In the fund financial statements, these amounts are reported when paid.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 2 Summary of Significant Accounting Policies (Concluded)
Basis of Presentation (Concluded)

F. Budgetary Policies (Concluded)

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to February 29, the fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing on March 1.
2. A public hearing is conducted during February to obtain taxpayer comments.
3. Prior to February 29, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Village Council.
5. Budgets are adopted on basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

Note 3 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

Note 4 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

VILLAGE OF CARLETON

Notes to Financial Statements Year Ended February 29, 2008

Note 4 Deposits (Concluded)

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At February 29, 2008, the Village had invested in such a fund with a local bank. The Village is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board has adopted an investment policy authorizing certain types of investments and authorized two depositories: Monroe Bank and Trust and LaSalle Bank.

Interest rate risk. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Village's investment policy.

Concentration of credit risk. The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has \$2,748,926 invested in certificates of deposit, checking accounts, and money markets. The Village's deposits are insured by the FDIC in the amount of \$200,000, with uninsured deposits of \$2,548,926. The Village's deposits are at institutions with an established record of fiscal health and service. The Village Board approves and designates a list of authorized depository institutions. The Village's investment policy does not address deposit risk.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 5 Interfund Receivables and Payables
Balances at February 29, 2008 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Major Street Fund		\$ 12
Local Street Fund	\$ 842	
Sewer Fund	2,992	
Equipment Fund		66,606
Major Street Fund:		
General Fund	12	
Local Street Fund	252	
Equipment Fund		4,126
Local Street Fund:		
General Fund		842
Major Street Fund		252
Equipment Fund		1,969
Sewer Fund:		
General Fund		2,992
Equipment Fund		1,463
Equipment Fund:		
General Fund	66,606	
Major Street Fund	4,126	
Local Street Fund	1,969	
Sewer Fund	<u>1,463</u>	
Totals	\$78,262	<u>\$78,262</u>

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 6 Capital Assets

A summary of changes in capital assets follows:

	Balance March 1, 2007	Additions	Deletions	Balance February 29, 2008
Governmental Activities				
Assets not being depreciated:				
Land	\$83,002	\$0	\$0	\$83,002
Capital assets being depreciated:				
Building and building improvements	110,501	13,695	0	124,196
Police vehicles	41,146	23,627	0	64,773
Police equipment	31,610	0	0	31,610
Office equipment	9,737	2,373	0	12,110
DPW equipment	60,582	0	21,000	39,582
Playground equipment	86,023	5,995	0	92,018
Equipment Fund	242,581	0	0	242,581
Total capital assets	665,182	45,690	21,000	689,872
Less accumulated depreciation for:				
Building and building improvements	(33,438)	(3,025)	0	(36,463)
Police vehicles	(20,715)	(7,358)	0	(28,073)
Police equipment	(14,478)	(4,008)	0	(18,486)
Office equipment	(8,240)	(794)	0	(9,034)
DPW equipment	(60,582)	0	(21,000)	(39,582)
Playground equipment	(1,075)	(4,801)	0	(5,876)
Equipment Fund	(208,627)	(21,725)	0	(230,352)
Total accumulated depreciation	(347,155)	(41,711)	(21,000)	(367,866)
Net capital assets	\$318,027	\$3,979	\$0	\$322,006
Business Activities				
Assets not being depreciated:				
Land	\$112,003	\$0	\$0	\$112,003
Capital assets being depreciated:				
Sewer mains	810,214	0	0	810,214
Service connections	73,006	0	0	73,006
Oxidation ponds and equipment	1,284,210	0	0	1,284,210
Wastewater treatment	8,513,375	0	0	8,513,375
Total capital assets	10,792,808	0	0	10,792,808
Less accumulated depreciation for:				
Sewer mains	(220,959)	(12,614)	0	(233,573)
Service connections	(45,599)	(1,460)	0	(47,059)
Oxidation ponds and equipment	(656,607)	0	0	(656,607)
Wastewater machinery and equipment	(1,195,983)	(171,238)	0	(1,367,221)
Total accumulated depreciation	(2,119,148)	(185,312)	0	(2,304,460)
Net capital assets	\$8,673,660	(\$185,312)	\$0	\$8,488,348

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 29, 2008

Note 6 Capital Assets (Concluded)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,489
Public safety	13,591
Recreation and cultural	<u>4,906</u>
Total governmental activities	<u>\$19,986</u>

Note 7 Interfund Transfers

Interfund transfers for the year ended February 29, 2008, consisted of the following:

	<u>Transfer Out</u>
	<u>General</u>
	<u>Fund</u>
<u>Transfer In</u>	
Special Revenue Funds:	
Major Street Fund	\$ 5,000
Local Street Fund	5,000
Ash-Carleton Park Fund	<u>15,000</u>
	<u>\$25,000</u>

The transfers to the Major Street Fund and Local Street Fund were for road expenditures.

The transfer from the General Fund to the Ash-Carleton Park Fund was to assist in the payment of park expenditures.

Note 8 Long-Term Debt

The following is a summary of long-term debt outstanding as of February 29, 2008:

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>3/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>02/29/08</u>	<u>In One Year</u>
Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001: \$5,330,000 issue dated September 28, 2001 maturing serially in annual amounts from \$110,000 to \$340,000 and bearing interest at a rate of 2.500%.	\$4,315,000	\$ -	\$240,000	\$4,075,000	\$245,000
Compensated absences payable	<u>39,483</u>	<u>-</u>	<u>2,699</u>	<u>36,784</u>	<u>-</u>
	<u>\$4,354,483</u>	<u>\$ -</u>	<u>\$242,699</u>	<u>\$4,111,784</u>	<u>\$245,000</u>

Compensated absences payable represents benefits for vacation and sick leave as of year end.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 29, 2008

Note 8 Long-Term Debt (Continued)

The following are schedules of remaining principal and interest requirements for these bonds as of February 29, 2008:

Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001:

<u>Due Date</u>	<u>Bond Principal</u>	<u>Interest</u>	<u>Totals</u>
4/1/08	\$245,000	\$50,938	\$295,938
10/1/08		47,875	47,875
4/1/09	255,000	47,875	302,875
10/1/09		44,687	44,687
4/1/10	260,000	44,687	304,687
10/1/10		41,438	41,438
4/1/11	265,000	41,438	306,438
10/1/11		38,125	38,125
4/1/12	270,000	38,125	308,125
10/1/12		34,750	34,750
4/1/13	280,000	34,750	314,750
10/1/13		31,250	31,250
4/1/14	285,000	31,250	316,250
10/1/14		27,687	27,687
4/1/15	295,000	27,687	322,687
10/1/15		24,000	24,000
4/1/16	300,000	24,000	324,000
10/1/16		20,250	20,250
4/1/17	310,000	20,250	330,250
10/1/17		16,375	16,375
4/1/18	315,000	16,375	331,375
10/1/18		12,437	12,437
4/1/19	325,000	12,437	337,437
10/1/19		8,375	8,375
4/1/20	330,000	8,375	338,375
10/1/20		4,250	4,250
4/1/21	<u>340,000</u>	<u>4,250</u>	<u>344,250</u>
	<u>\$4,075,000</u>	<u>\$753,936</u>	<u>\$4,828,936</u>

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 8 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at February 29, 2008, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008 - 2009	\$ 245,000	\$ 98,813	\$ 343,813
2009 - 2010	255,000	92,562	347,562
2010 - 2011	260,000	86,125	346,125
2011 - 2012	265,000	79,563	344,563
2012 - 2013	270,000	72,875	342,875
2013 - 2018	1,470,000	257,499	1,727,499
2018 - 2021	<u>1,310,000</u>	<u>66,499</u>	<u>1,376,499</u>
	<u>\$4,075,000</u>	<u>\$753,936</u>	<u>\$4,828,936</u>

Note 9 Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975.

Effective January 1, 1983 the Village of Carleton established a group account with the Michigan Municipal League Unemployment Compensation Group Account. The league is funded by members contributions and represents its membership before the M.E.S.C. Establishment of the group account does not relieve the Village from liability for charges attributable to service in its employ which exceed contributions to the league. As of February 28, 1994, a \$2,000 reserve has been established in the General Fund for any contingent liability. There was no expense for the period for Unemployment Insurance.

Note 10 Billing and Collection - Sewerage Accounts

Billing and collection of sewerage service, and the posting of customer accounts, are performed by Ash Township on a contractual basis. The Township charges 5% of the total collections as a fee for this service, in addition to retaining penalties collected on delinquent accounts. The fee for 2007-2008 amounted to \$20,098.

Note 11 Property Taxes

The Village bills and collects its own property taxes. For 2007, the Village tax levy was spread as follows:

	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund	8.5400	<u>\$435,010</u>

The Village's 2007 property taxes, levied on July 1, 2006 on assessed valuation as of December 31, 2006, were due and payable by August 31, 2007. Taxable values, which amounted to \$50,938,528 represent a percentage of the fair market value of the assessed property.

As of February 29, 2008, delinquent taxes of \$70,021 are reflected as a receivable in the General Fund.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 29, 2008*

Note 12 Employee's Pension Plan Plan Description

The Village of Carleton is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan.

Benefit provisions and all other requirements are established by state statute and Village council resolution. All full time Village employees are eligible to participate in MERS. Benefits vest after 10 years of service. Village employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.3% of a members 5 - year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

General and police employees contribute 4.0% of their wages to the plan which amounted to \$10,360 for the fiscal year ending February 29, 2008. The Village is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Village's annual required contribution was \$9,620 for the fiscal year ending February 29, 2008 (3.65% of covered payroll of \$262,995). The contribution requirements of plan members and the Village are established by the Village and by the MERS Board of Trustees.

Annual Pension Cost

For the fiscal year ending February 29, 2008, the Village's annual pension cost of \$9,620 for the plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions include a) 8.0% investment rate of return, b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, c) additional projected salary increases of 0.0% to 4.5% plus a percentage, depending on age, attributable to merit, longevity and promotional and, d) assumptions that benefits will increase after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Three-year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u>	<u>Percentage of</u> <u>Annual Pension</u> <u>Cost Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2/28/06	\$7,867	100%	\$ -
2/28/07	8,738	100%	-
2/29/08	9,620	100%	-

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 29, 2008

Note 12 Employee's Pension Plan (Concluded)
Annual Pension Cost (Concluded)

	Valuation Ended December 31,		
	2004	2005	2006
Actuarial value of assets	\$453,354	\$483,063	\$525,013
Actuarial accrued liability (entry age)	521,019	552,469	605,279
Unfunded AAL	67,665	69,406	80,266
Funded ratio	87%	87.4%	86.7%
Annual payroll	205,731	243,067	259,025
UAAL as a percentage of annual covered payroll	33%	29%	31%

Additional Pension Benefits

Effective March 1, 2006, the Village began contributing seventy-five cents per employee per hour worked and/or paid with a maximum of forty hours per week for additional pension benefits. All full-time Village employees that are members of the International Union of Operating Engineers Local 547 are eligible to participate in a defined contribution pension plan with the Central Pension Fund. Full vesting occurs immediately; benefit provisions and all other requirements are established by the union. The Village contributed \$10,114 for these additional pension benefits.

Non-union employees are not eligible to participate in the Central Pension Fund. In lieu of the Central Pension Fund benefits, the full-time non-union employees will receive seventy-five cents per employee per hour worked and/or paid with a maximum of forty hours per week.

Note 13 Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending February 29, 2008, of \$44,392 did not exceed the related costs and administrative overhead.

Note 14 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

VILLAGE OF CARLETON

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 29, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$393,000	\$435,015	\$435,010	(\$5)
Trailer park taxes	2,600	12,800	2,555	(10,245)
	<u>395,600</u>	<u>447,815</u>	<u>437,565</u>	<u>(10,250)</u>
Licenses and permits	60,000	60,000	53,605	(6,395)
State grants:				
State shared revenue	245,000	245,000	235,756	(9,244)
Liquor license fees	2,000	2,000	1,988	(12)
	<u>247,000</u>	<u>247,000</u>	<u>237,744</u>	<u>(9,256)</u>
Charges for services	600	600	2,364	1,764
Fines and forfeits	7,500	7,500	10,900	3,400
Interest income	13,000	28,000	29,128	1,128
Other revenue:				
Other revenue	2,000	2,000	32,825	30,825
Sale of capital asset	0	0	1,002	1,002
Administrative rents	6,600	6,600	6,600	0
	<u>8,600</u>	<u>8,600</u>	<u>40,427</u>	<u>31,827</u>
Total Revenues	732,300	799,515	811,733	12,218

VILLAGE OF CARLETON

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 29, 2008

Expenditures	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Council	\$6,000	\$6,000	\$6,594	(\$594)
General government:				
President	5,000	5,000	4,800	200
Election	2,100	2,100	1,250	850
Audit	8,600	8,600	7,500	1,100
Finance officer	200	200	0	200
Assessor	100	100	0	100
Attorney	12,100	17,100	16,458	642
Clerk	60,365	60,365	59,545	820
Treasurer	8,150	8,150	7,986	164
Village hall and grounds	24,650	40,250	37,617	2,633
Engineering	5,000	5,000	0	5,000
	<u>126,265</u>	<u>146,865</u>	<u>135,156</u>	<u>11,709</u>
Public safety:				
Police department	247,465	247,465	242,549	4,916
Fire department	100	100	0	100
Blight enforcement	2,300	2,300	2,023	277
Building inspector	15,450	19,950	20,414	(464)
Electrical inspector	3,150	3,150	2,480	670
Plumbing inspector	3,600	3,600	1,991	1,609
Mechanical inspector	3,100	3,100	1,654	1,446
Planning commission	300	300	0	300
Zoning board	100	100	0	100
	<u>275,565</u>	<u>280,065</u>	<u>271,111</u>	<u>8,954</u>
Public works:				
Department of public works	68,700	68,700	67,222	1,478
Streetlights	22,000	22,000	21,408	592
Sanitation	42,200	46,300	46,206	94
	<u>132,900</u>	<u>137,000</u>	<u>134,836</u>	<u>2,164</u>

VILLAGE OF CARLETON

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 29, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Expenditures (Concluded)				
Recreation and cultural:				
Administration	\$700	\$700	\$576	\$124
Other:				
Hospitalization insurance	90,000	108,000	107,897	103
Life insurance	5,000	6,000	5,964	36
Social security	28,000	28,000	26,422	1,578
Insurance	53,000	53,000	55,429	(2,429)
Unemployment insurance	100	3,500	3,359	141
Worker's compensation insurance	10,500	15,500	17,549	(2,049)
Retirement	16,000	16,000	19,733	(3,733)
Other	0	10,200	0	10,200
Contingencies	200	615	0	615
	<u>202,800</u>	<u>240,815</u>	<u>236,353</u>	<u>4,462</u>
Total Expenditures	<u>744,230</u>	<u>811,445</u>	<u>784,626</u>	<u>26,819</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,930)	(11,930)	27,107	39,037
Other Financing Sources (Uses)				
Operating transfer out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(25,000)</u>	<u>10,000</u>
Net Change in Fund Balances	<u>(46,930)</u>	<u>(46,930)</u>	<u>2,107</u>	<u>49,037</u>
Fund Balances - Beginning of year	<u>603,238</u>	<u>603,238</u>	<u>722,154</u>	<u>118,916</u>
Fund Balances - End of year	<u>\$556,308</u>	<u>\$556,308</u>	<u>\$724,261</u>	<u>\$167,953</u>

VILLAGE OF CARLETON

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 29, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$83,000	\$83,000	\$84,710	\$1,710
Interest income	12,000	30,000	32,650	2,650
Total Revenues	95,000	113,000	117,360	4,360
Expenditures				
Public works:				
Construction	35,500	1,500	0	1,500
Routine maintenance/preservation	15,200	70,500	72,621	(2,121)
Traffic services	1,800	1,800	212	1,588
Winter maintenance	14,000	10,700	7,647	3,053
Administrative	2,500	2,500	2,260	240
Total Expenditures	69,000	87,000	82,740	4,260
Excess (Deficiency) of Revenues over Expenditures	26,000	26,000	34,620	8,620
Other Financing Sources (Uses)				
Operating transfer in	10,000	10,000	5,000	(5,000)
Net Change in Fund Balances	36,000	36,000	39,620	3,620
Fund Balances - Beginning of year	640,653	640,653	665,542	24,889
Fund Balances - End of year	\$676,653	\$676,653	\$705,162	\$28,509

VILLAGE OF CARLETON

Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 29, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$40,000	\$40,000	\$42,997	\$2,997
Interest income	4,000	4,600	7,743	3,143
Total Revenues	44,000	44,600	50,740	6,140
Expenditures				
Public works:				
Construction	2,800	2,800	0	2,800
Routine maintenance/preservation	24,700	25,300	24,767	533
Traffic services	2,500	2,500	130	2,370
Winter maintenance	14,000	14,000	8,498	5,502
Administrative	2,500	2,500	2,260	240
Total Expenditures	46,500	47,100	35,655	11,445
Excess (Deficiency) of Revenues over Expenditures	(2,500)	(2,500)	15,085	17,585
Other Financing Sources (Uses)				
Operating transfer in	10,000	10,000	5,000	(5,000)
Net Change in Fund Balances	7,500	7,500	20,085	12,585
Fund Balances - Beginning of year	196,794	196,794	199,725	2,931
Fund Balances - End of year	\$204,294	\$204,294	\$219,810	\$15,516

VILLAGE OF CARLETON

*Municipal Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended February 29, 2008*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Interest income	\$300	\$300	\$1,293	\$993
Total Revenues	300	300	1,293	993
Expenditures	0	0	0	0
Net Change in Fund Balances	300	300	1,293	993
Fund Balances - Beginning of year	27,829	27,829	28,802	973
Fund Balances - End of year	<u>\$28,129</u>	<u>\$28,129</u>	<u>\$30,095</u>	<u>\$1,966</u>

VILLAGE OF CARLETON

Ash-Carleton Park Fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Budget and Actual* *Year Ended February 29, 2008*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Local unit contribution	\$15,000	\$15,000	\$15,000	\$0
Grant revenue	0	37,500	6,761	(30,739)
Interest income	0	0	184	184
Other revenue	25,000	30,000	30,417	417
Total Revenues	40,000	82,500	52,362	(30,138)
Expenditures				
Recreation and cultural:				
Administration	9,000	10,600	10,416	184
Recreational and programs	25,000	25,000	24,023	977
Park maintenance	13,000	12,000	15,966	(3,966)
Park equipment	8,000	6,000	5,995	5
Park facilities	0	41,700	0	41,700
Total Expenditures	55,000	95,300	56,400	38,900
Excess (Deficiency) of Revenues over Expenditures	(15,000)	(12,800)	(4,038)	8,762
Other Financing Sources (Uses)				
Operating transfers in	15,000	15,000	15,000	0
Net Change in Fund Balances	0	2,200	10,962	8,762
Fund Balances - Beginning of year	3,101	3,101	3,101	0
Fund Balances - End of year	\$3,101	\$5,301	\$14,063	\$8,762

VILLAGE OF CARLETON

Agency Funds Statement of Changes in Assets and Liabilities February 29, 2008

Agency - Payroll

	Balance March 1, 2007	Additions	Deductions	Balance February 29, 2008
Assets				
Cash	\$24,012	\$407,451	\$406,822	\$24,641
Due from other governmental units	1,547	507	0	2,054
	<u>\$25,559</u>	<u>\$407,958</u>	<u>\$406,822</u>	<u>\$26,695</u>
Liabilities				
Salaries and payroll taxes payable	\$3,561	\$272,510	\$269,929	\$6,142
Due to other governmental units	3,498	135,448	136,893	2,053
Advance from General Fund	18,500	0	0	18,500
Total Liabilities	<u>\$25,559</u>	<u>\$407,958</u>	<u>\$406,822</u>	<u>\$26,695</u>

Agency - Tax Collection Fund

Assets				
Cash	<u>\$1,762</u>	<u>\$364,880</u>	<u>\$365,781</u>	<u>\$861</u>
Liabilities				
Due to other governmental units	<u>\$1,762</u>	<u>\$364,880</u>	<u>\$365,781</u>	<u>\$861</u>

VILLAGE OF CARLETON

Sewage Disposal Fund

Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets Years Ended February 29, 2008 and February 28, 2007

	2008	2007
Operating Revenues		
Charges for services:		
Sewer service	\$363,021	\$364,446
Sewer processing charge - Ash Township	95,660	103,824
Total Operating Revenues	458,681	468,270
Operating Expenses		
Maintenance of mains:		
Depreciation	12,614	12,615
Sewer processing and maintenance:		
Wages - employees	10,800	11,525
Operating supplies	982	107
Contractual	251,856	253,089
Engineering	0	3,565
Utilities	372	352
Repairs and maintenance	0	250
Equipment rentals	3,739	3,267
Depreciation	172,698	172,699
	440,447	444,854
General office and administrative:		
Audit fees	5,700	5,500
Contractual	20,098	18,016
Administrative rent charge	3,000	3,000
Miscellaneous	0	5,900
	28,798	32,416
Total Operating Expenses	481,859	489,885
Net Operating Income (Loss)	(23,178)	(21,615)
Non-Operating Revenues (Expenses)		
Sewer tap fees - construction	50,250	90,055
Sewer tap fees - debt	110,534	115,684
Special assessments	0	28,936
Interest income	53,832	50,206
Interest expense	(102,375)	(108,365)
Paying agent fees	(402)	(379)
Total Non-Operating Revenues (Expenses)	111,839	176,137
Change in Net Assets	88,661	154,522
Net Assets - Beginning of year	5,764,894	5,610,372
Net Assets - End of year	\$5,853,555	\$5,764,894



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President and Village Council
Village of Carleton
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In planning and performing our audit of the financial statements of the Village of Carleton as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Performance Bonds and Escrow Accounts

The Village has a number of performance bonds and escrow accounts that were not reconciled to the General Fund and Sewer Fund general ledgers. We suggest that the Village keep a folder or spreadsheet of the activity for each performance bond and escrow account. A folder or spreadsheet will help the Village monitor the activity and assist in reconciling these accounts to the general ledgers.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

President and Village Council
Village of Carleton

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Financial Statements

The Village does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Village Council, management, others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


June 4, 2008